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SUBJECT: MINISTER OF TRADE SUPPORT FOR WORLD TRADE
ORGANIZATION ACCESSION

REF: BAGHDAD O-I 2/27/2007

Classified By: Economic Minister-Counselor Daniel Weygandt for reasons
1.4 (b) and (d).

11. (C) Summary: On March 4, Minister of Trade Abdul Falah Al Sudani told emboffs that Iraq's accession to the World Trade Organization has his full support and that he will attend the April 19 opening of the Working Group. Minister Al Sudani (Shi'a - Da'wa Tanzim) was appreciative of USAID-funded technical assistance in the WTO accession process. He is committed to Public Distribution System reform, but noted that change is difficult in the current security situation. He also discussed current activities of PDS and described his bilateral efforts at expanding Iraqi trade. Minister Al Sudani said that he was pleased with the draft Hydrocarbon Law, and expected it to be passed by the Council of Representatives. End summary.

Steps to WTO

12. (C) USAID official and econoff thanked Minister Al Sudani for his and the Ministry of Trade's continued support for Iraq's accession to the WTO, congratulating him on setting a date for the first Working Party meeting on April 19 (reftel). Minister Al Sudani thanked the US for its technical assistance during this process, mentioning the successful WTO training session in Amman from January 21-31. (Note: Given the security situation, it is difficult to bring the WTO delegation members together for long meetings in Baghdad. End note.) USAID official noted that given current need for stability and short-term development results, and the protracted WTO accession process, GOI commitment to a successful working party meeting and follow-up would strengthen the case for continued USG technical assistance.

13. (C) Minister Al Sudani said that he understood USAID's position. He said that there was support from different parts of the Iraqi government for this work, including the Ministry of Foreign Affairs (MFA) and the Ministry of Industry and Minerals. He recounted that the MFA had at first insisted that the negotiations should be led by the Ministry of Foreign Affairs, but that now they understand better the technical nature of the process. Minister Al Sudani said that Kurdistan's legislation may raise a few questions during negotiations, but he expects that they all will be resolvable. He plans on attending the opening session of the Working Party meeting in Geneva on April 19, and he said that he was reading a book on Saudi Arabia's WTO accession.

PDS - Targeting and Payments

14. (C) The Public Distribution System (PDS) remains a major part of the Ministry of Trade's work; it imports, for example, 1.5 million tons of wheat per month. Minister Al Sudani continues to work on making the distribution system more efficient and less open to corruption. He said that he had ended a corruption ring that had been replacing the good quality food with bad quality food during the distribution process. Ultimately, he said, the Ministry of Trade will need to target the program to the needy, likely based on the people included within the Social Safety Net. He also would like to introduce payments to PDS, so that the food may be subsidized but will not be entirely free. "When something is free, people do not value it as much," he said. While these ideas reflect the Minister's long term plans, he said that the present security situation makes real reform difficult.

Bilateral Meetings: Syria, South Korea and Iran

15. (C) Minister Al Sudani has been traveling over the past few months. He went to Syria in January, where he had preliminary meetings. He will send a delegation there in the next two weeks to discuss trade issues. He said that he also had good meetings in Egypt and in South Korea. He said that he would travel to Iran on March 5, to take part in 'bilateral joint committees' on a range of issues, including trade. "Iran is very active in Iraq," Minister Al Sudani said, "and some of it is good and some of it is bad". He said that for Iraq to have a healthy trade relationship with Iran there would need to be more oversight of Iran's activities.

Comment

16. (C) When Minister Al Sudani was first appointed to this position in 2006, he expressed disinterest in leading the Ministry of Trade. Over the course of the past year, however, he has shown increasing interest in the overall work of the Ministry, as he understood better its role and potential. As shown by his reading a book on Saudi Arabia's WTO accession and his willingness to go to the first WTO Working Group meeting, he is working to become more involved in the activities of the ministry. While not involved with the details of the negotiation preparation, the Minister is clearly supportive of the WTO process. We will work with him to use that interest to move the process forward.
KHALILZAD